



## WELCOME TO A NEW DECADE OF POLITICS, OTTAWA-STYLE

Although Parliament may be at rest these days Ottawa is not sleeping. From overseeing a massive humanitarian aid effort in Haiti to preparing a newly defining Speech from the Throne, from altering the composition of Cabinet to finding the delicate balance between stimulus and thrift in a new Budget, things are happening in this town. Your correspondents at TACTIX are, as always, keeping a close eye on events unfolding in our nation's capital. We thought it was timely to share with you our thoughts on some of the important developments that may affect your business interests.

## FAMILIAR FACES, NEW PLACES

While not a full-fledged Cabinet Shuffle, Prime Minister Harper's move to change some of the faces on his front bench on January 19<sup>th</sup> was more than a "tweaking" of Cabinet as hinted at by Ottawa's legions of anonymous sources over the past several days. While key portfolios such as Finance (Jim Flaherty), Defence (Peter McKay), Foreign Affairs (Lawrence Cannon), Environment (Jim Prentice), and Industry (Tony Clement) did not change, some Cabinet moves are notable.

The big winner in this shuffle is, hands down, Stockwell Day who was elevated to become President of the Treasury Board from his former post at International Trade. While Treasury Board President is for many Canadians an obscure position, it is a powerful portfolio within the machinery of government, with the President serving as the "General Manager" of the Government of Canada. Mr. Day's presence in this post – as a former Alberta Treasurer – will be critical as the government shifts from finishing the implementation of its Economic Action Plan to tackling the federal deficit which is expected to top out at over \$56 billion for fiscal 2009-2010. Arguably, the TBS post will become the third most influential across the Government of Canada after the PM and Minister of Finance in an expenditure-restrained environment.

As with any cabinet shuffle, one domino begets another one to fall and on it goes. Manitoba Minister Vic Toews moved from Treasury Board to the Public Safety file which in turn prompted former Public Safety Minister Peter Van Loan from Ontario to move to Mr. Day's previous post at International Trade.

The other big winner in this shuffle is Alberta MP and Minister Rona Ambrose who was saddled with the Environment portfolio in Stephen Harper's first Cabinet and under-performed in that role. Her steady hand more recently at Labour was rewarded with a promotion to Minister of Public Works and Government Services (PWGSC) which oversees all government procurement, contracting and realty operations.

Minister Ambrose's predecessor at PWGSC, Christian Paradis, moved to Natural Resources Canada (NRCan) while retaining his role as chief political lieutenant for Quebec. Minister Paradis now assumes responsibility for managing the delicate privatization of parts of Atomic Energy of Canada Limited. Toronto's Lisa Raitt moved from NRCan to the less visible Labour portfolio while Quebec Minister and veteran of the Mulroney era, Jean-Pierre Blackburn, went to Veterans Affairs to succeed retiring (after the next election) New Brunswick MP Greg Thompson.

In other less notable moves, former New Brunswick junior minister Keith Ashfield was named Minister of National Revenue while Alberta's Diane Ablonczy moved from Minister of State for Small Business and Tourism to Minister of State for Seniors Issues. The latter appointment frees up former Seniors Minister Senator Marjory LeBreton to fully steer the government's agenda through the Senate in her continuing role as the Government's Leader in the Senate. This role takes on added importance as the balance of power will shift in the Senate in the coming weeks, as discussed below.

Finally, New Brunswick MP Rob Moore is the only new face, being appointed Minister of State for Small Business and Tourism.

In order to fully digest and understand the impact of a Cabinet shuffle, it is also important to identify if changes were made to the composition of Cabinet Committees. Government bills, regulations, policies, and public announcements make their way through the sometimes labyrinthine Cabinet Committee process. The main message to take from the relatively minor changes made by the Prime Minister to his Cabinet Committees is that the government decision-making system is working to his satisfaction.

The most important Committee, chaired by the Prime Minister, is Priorities and Planning. Membership of this Committee was not changed. Clearly Prime Minister Harper is pleased with the way his "inner Cabinet" is functioning. Also of note is that the Chair and Vice Chair of the Operations Committee, charged with managing the day-to-day political operation of the government, did not change, with Ministers Prentice and Hill retaining their respective roles. The only change to Ops Committee membership was one switch between Atlantic junior ministers.

Finally, the composition of the Treasury Board remained the same, but for the appointment of Stockwell Day as the new President. Keeping Ministers experienced in the operation of the Treasury Board signals the critical role the Board will play as the government manages its way out of the fiscal deficit.

## HOW TO MAKE "PROROGATION" A HOUSEHOLD WORD

It is neither an easy word to say nor a simple concept to comprehend. Yet the second prorogation of Parliament within the past twelve months, triggered during the festivities of the holiday season, has launched Facebook campaigns, countless news stories in Canada and abroad, and a national advertising campaign by the Official Opposition. Akin to rebooting your computer, proroguing Parliament is a tool used by Prime Ministers to achieve one or both of two core political objectives. First, the Speech from the Throne which formally opens a new session of Parliament following prorogation offers the government an opportunity to reframe its agenda, or "recalibrate" as the Prime

Minister described it, and show a fresh face to Canadians. Second, prorogation can “change the channel”, blunting the momentum of an unpopular or potentially harmful development.

In the case of the current prorogation, it appears that Prime Minister Harper had both objectives in mind. Primarily, he wanted to demonstrate to Canadians in his forthcoming March 3<sup>rd</sup> Throne Speech and in Budget 2010, which follows immediately on March 4<sup>th</sup>, that his government is focused squarely on finishing the job of lifting Canada out of the 2008-09 global recession and positioning Canadians to recover, rebuild, and compete successfully in the economy of the future.

In addition, prorogation allowed several months for the Afghan detainee issue, on which opposition parties were scoring a point or two, to wane in the minds of Canadians who may have been concerned about who in Ottawa knew what, and when. While opposition MPs can be expected to raise this issue in the new session of Parliament and seek to revive a Committee investigation that was terminated as a result of prorogation, the government has bought valuable time to continue doing its homework, nail its messaging and get it out preemptively.

As an added bonus, the timing of this prorogation means that the five new Conservative Senators who are to be appointed before Parliament returns can alter the balance of Senate Committee membership so that Liberal Senators no longer hold a majority. Parliamentary Committees must be reconstituted following prorogation. The ripple effect of this change in Senate composition will be felt for years to come, as discussed below.

What remains to be seen is whether or not the Prime Minister’s decision to prorogue Parliament during the holiday break will also have a ripple effect. Many political observers have been surprised by the attention that has been given to what had previously been regarded, if at all, as an obscure procedural matter of minimal consequence. Early returns suggested that this prorogation may have unintended consequences but unless an election is triggered this spring – possible but low probability – those consequences will likely have dissipated before Canadians are called upon to cast their ballots once again. In fact, the devastating earthquake in Haiti may have already diverted Canadians’ attention from an arcane parliamentary procedure to the real life, real time human tragedy unfolding in the Caribbean.

## THE NUTS AND BOLTS OF PROROGATION

Now that prorogation has caught the attention of more Canadians than had previously been thought possible, it behooves all of us to obtain a better understanding of what does, and what does not, happen to parliamentary business as a result of prorogation:

- The Prime Minister, Cabinet Ministers, Parliamentary Secretaries remain in office and all MPs retain their full rights and privileges.
- All bills introduced by the government that have not received Royal Assent prior to prorogation cease to exist – they “die” on the Order Paper.
- Pre-existing government bills must be re-introduced at First Reading unless they receive unanimous consent to be reinstated at the stage they had reached before prorogation.

- Private Members' Bills are reinstated at the stage they were at before Parliament was prorogued. This is important to note given the government's desire to proceed with Bill C-391, the private members' bill to repeal the long-gun registry, which had passed Second Reading in the House and been referred to Committee.
- House and Senate Committees cease to function. New Committees are struck following the opening of the new session of Parliament. It can take 2-3 weeks for Committees to get up and running. It is not uncommon for new members to be appointed by their respective parties.

## THE RED CHAMBER IS ABOUT TO BECOME MORE BLUE

With Parliament prorogued, the Prime Minister has the luxury of time to appoint five Senators to the Senate of Canada. This round of appointments to fill these vacancies (one each from New Brunswick, Newfoundland, and Quebec, and two from Ontario) will tip the balance of power in the Senate in favour of the Conservative government. We expect the new Senators will be announced before Parliament returns on March 3<sup>rd</sup>.

As of the beginning of 2010, the Senate standings were as follows:

Party Affiliation	Number of Seats	Other Information
Liberal	49	
Conservative	46	
Progressive Conservative	2	Elaine McCoy, Lowell Murray
Independent	2	Michael Pitfield, Jean-Claude Rivest
Non-aligned	1	Anne Cools
Vacant	5	
	<b>105</b>	

While having 51 Senators will not give the Conservatives an absolute majority in the Senate, the dynamics of absences, and at times illnesses, should nonetheless give them effective control of the Senate chamber and its committees.

This will likely result in the government quickly moving several long-standing pieces of criminal justice legislation – which have stalled in the Senate during the last two Parliaments – as well as food and consumer issues through the House of Commons later this spring for approval in the now friendlier confines of the upper chamber. Indeed, the Prime Minister has made no secret in the past of his irritation with the Liberal-dominated Senate.

As for the prospects of Senate reform in 2010, both the Prime Minister and his Senate leader Marjory LeBreton have publicly signaled earlier this month that they would like to reintroduce reform legislation (e.g. term limits for Senators which could in turn lead to direct Senate elections). However, provinces such as New Brunswick, Quebec, Ontario and potentially others would almost certainly challenge any legislative thrust in this direction on constitutional grounds. Given that Senators are appointed to represent the province from which they came, elected Senators would have greater credibility than non-elected ones to compete with provincial Premiers as the voice of their respective provinces.

Although the Constitution provides a helpful cover for provincial Premiers to challenge Senate reform, there may be as much of a political agenda behind such a challenge as there is a legal one.

The only thing for sure is that a Conservative-dominated Senate will force the PMO messaging machine to retire one of its favourite lines and delete the “unaccountable Liberal-dominated Senate thwarts government’s legislation” from the TALKING POINTS folder on the hard drive.

## THE OLYMPICS ARE OVER? GOOD, LET’S GET BACK TO WORK

The Vancouver Olympic Games will give Canadians an opportunity to celebrate our athletes, enjoy the best of sporting competition, and forget about politics and politicians. However, once Parliament reopens on March 3<sup>rd</sup> a series of key events will occupy the attention of Canada’s federal lawmakers and re-engage Canadians in the issues of the day.

### (A) The Speech from the Throne

The Governor General will be called upon by Prime Minister Harper to read his government’s new Speech from the Throne (SFT) on Wednesday, March 3<sup>rd</sup>. This will be the Conservative’s fourth SFT since first coming to office in January 2006. The first two Speeches incorporated the key themes of “ordinary working Canadians”, “strong families”, “safer communities”, and “accountable government”, core messages that have defined the Conservative’s years in power. The most recent SFT, delivered on January 26, 2009, was a product of its times, focusing almost exclusively on addressing the consequences of the global recession, reassuring all Canadians, not just ordinary working ones, that the Government of Canada is there for them.

With the return of economic growth, albeit sluggish, in the fourth quarter of 2009, the upcoming SFT will likely have two main message tracks. On the first track will be a message that the economy is recovering but remains fragile and so the Government of Canada must remain vigilant and continue with its Economic Action Plan of stimulus measures in 2010. This would be repeated in the Budget tabled the following day. The second track will likely return to the core Harper government themes set out in earlier SFTs, but this time the message will be about the need for government belt-tightening and for building the economy of the future to help hard working ordinary Canadians and their families succeed.

### (B) Budget 2010

Finance Minister Flaherty tables his budget in the House of Commons on Thursday, March 4<sup>th</sup>. Minister Flaherty announced in his 2009 budget – The Economic Action Plan – a two-year program to inject stimulus spending into the economy. Budget 2010 will follow through on the Action Plan, with new stimulus measures leading the way.

With the key economic themes alluded to in the SFT delivered the previous day, the Budget offers the vehicle to elaborate on the austerity measures that will demonstrate the government’s commitment to reducing and eventually eliminating the deficit. With the Finance Minister and PM already stating that they will not reduce payments to provinces and territories or to individuals, which represents 56% of federal spending, there is not a lot of discretionary spending in which to find meaningful cuts. We

expect that some existing government programs will be put in the spotlight for spending reductions or outright elimination. New Treasury Board President Stockwell Day, a strong cabinet performer and former Alberta Treasurer, will play a vitally important role, together with the Finance Minister and the Prime Minister, in “helping” fellow Cabinet Ministers rein in their departmental spending and delivering the message to Canadians that the Conservatives are the most competent financial managers available in Ottawa.

The Budget will not, however, be all doom and gloom. With the economy turning the corner in 2010, the budget will also point to initiatives aimed at preparing Canada and Canadians to compete and win in the economy of the future. Stay tuned for how the Government of Canada defines the economy of the future.

### (C) The World Comes to Baffin Island

In advance of the G8 and G20 Leader’s summits to be held in Canada this June, the warm-up meeting – figuratively but surely not literally – of G7 Finance Ministers and Central Bank Governors will be held in Iqaluit, Nunavut on February 5<sup>th</sup> and 6<sup>th</sup>. If nothing else, no one will be able to point to this meeting as a junket to escape the winter blahs.

The meeting will focus on financial sector reforms agreed to in 2009, strengthening international financial institutions, and charting progress to ensure a sustained global economic recovery. The final communiqué could also hint at measures that would be subsequently introduced in the March 4<sup>th</sup> budget.

Look for Prime Minister Harper to make an appearance during the G7 meeting to reinforce the government’s claims that it is hard at work managing Canada’s economic recovery and to reinforce its Northern agenda. We can only hope that the staff contingents for our international friends have *Googled* Iqaluit (ensuring to spell it correctly) and will ensure their bosses come dressed appropriately for the abundance of cold and lack of sunlight.

## MINORITY GOVERNMENT = INCESSANT ELECTION SPECULATION

It is a truism that minority governments heighten one of official Ottawa’s favourite pastimes, election speculation. And for the record, the other pastimes include Cabinet shuffle predictions, fiscal year-end spending and praying for better goaltending for the Ottawa Senators hockey team.

The start of the third session of the 40<sup>th</sup> Parliament will present two opportunities for the opposition parties to vote non-confidence in the Conservative government and trigger a late winter, early spring election, if they so choose. Both the Speech from the Throne and the Budget, as discussed above, are measures which by convention will trigger confidence votes later in the month of March.

So, will Canadians be going to the polls this spring? While it is wise to never say “never”, it is our read that neither the Conservatives nor the Liberals are interested in forcing an election in the near term. Public opinion polling shows that neither party is poised to enter majority government territory and Canadians have been resolute in telling federal politicians that they are not interested in trudging back to the polls. Liberal leader Michael Ignatieff learned that lesson the hard way last fall.

Indeed, both the Prime Minister and Mr. Ignatieff have stated in interviews and news conferences that they have “heard” Canadians loudly and clearly in this regard. And even if the NDP and/or the Bloc Québécois signal their intent to topple the Conservatives, they still require the complicity of the Liberals in forcing an election.

The most plausible scenario at this point leads us to believe that another summer on the “grip and grin” barbeque circuit for all federal leaders is in order, with the parties measuring their fortunes in case of a fall election or even quietly plotting for early 2011.

While TACTIX will focus our next Commentary on the implications of the Throne Speech and Budget 2010, for those who are hungry for more election speculation, rest assured the national press gallery will author more than enough stories – almost on a daily basis – to satiate your appetite.

## AND FINALLY ... WE ARE RECALIBRATING TOO!

We are pleased to take this opportunity to update our clients and friends of the firm on some of the key changes and developments at TACTIX, including the introduction of our new name. We are now TACTIX Government Relations and Public Affairs Inc. – a name that more appropriately reflects the broader range of solutions we deliver for our clients.

In addition to our new name, we are ushering in the new decade with a re-designed website and a new company brochure. We encourage you to visit us online at [www.tactix.ca](http://www.tactix.ca) and learn more about how we have been helping our clients achieve their business objectives in a complex environment where competition for governments’ attention is intense. We always welcome your feedback. Please get in touch with us – [contact@tactix.ca](mailto:contact@tactix.ca) – and let us know what you think of our new website and/or this Commentary.

Your friends at TACTIX wish you prosperity and good health in 2010.

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